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World Production and Trade

United States
Department of
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Foreign
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Weekly
Roundup

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The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

GRAIN AND FEED

In SPAIN, hot, dry and windy weather has substantially reduced 1986 grain production prospects, according to the U.S. agricultural counselor in Madrid. Total 1986 grain production is estimated at 15.7 million tons, down 13 percent from the previous estimate and 22 percent below the record 1985 crop. The adverse weather has particularly affected winter grain crops -- mostly wheat and barley -- in the central plateau regions of Aragon, Rioja, Catalonia and Navarra. Wheat production in 1986 is estimated at 4.1 million tons, down 23 percent from last year, while barley production is estimated at 7.0 million tons, down 30 percent. Barley harvesting has begun in southern and central crop areas. A more favorable outlook is projected for spring planted grains, with 1986 corn production forecast at a record 3.25 million tons, slightly above last year's harvest.

The UNITED STATES and the EUROPEAN COMMUNITY (EC) reached a compensation agreement that sets a monthly average import target for Spain of 234,000 tons of U.S. corn (1.4 million tons over six months) through Dec. 31, 1986 at a lower import levy. The negotiated levy, while not yet fixed, will be higher than the pre-accession Spanish duty of 20 percent and less than the current EC variable levy which has reached more than \$150/ton, nearly double the world price for corn. Virtually no U.S. corn has been purchased since the March 1 accession to the EC, instead, Spain recently purchased nearly 400,000 tons of feed wheat and barley from the United Kingdom. In the five years before the EC accession, Spain imported an average of 3.5 million tons of U.S. corn annually, making it one of the United States' top five markets.

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In YUGOSLAVIA, favorable spring and early summer weather has boosted 1986 grain production prospects, according to the U.S. agricultural counselor in Belgrade. Total 1986 grain production is estimated at 17.4 million tons, 5 percent above the previous estimate and 10 percent above last year's crop, but about 3 percent short of the record 1984 harvest. Wheat production is estimated at 4.8 million tons, up 9 percent from the previous estimate, but virtually unchanged from last year. Overall, weather conditions have been very favorable, although drought last fall and recent high temperatures caused some damage to wheat. Corn production is forecast at a record 11.5 million tons, 5 percent above the previous estimate and 16 percent above last year's drought-reduced harvest.

As a result of improved corn crop prospects, large carry-in stocks and lower domestic demand, the amount of exportable supplies for 1986/87 (Oct/Sept) may reach record levels, displacing other exporters' (United States) corn sales primarily to the Soviet Union and Eastern Europe. According to trade sources, 1985/86 Yugoslavian corn sales may already total 1.5 million tons, up sharply from last year when Yugoslavia exported about 700,000 tons. Before 1982/83, Yugoslavia was an erratic corn supplier, at times exporting about 200-300,000 tons annually. However, since then, Yugoslavian corn exports have averaged almost 1.0 million tons per year and have often been sold under counter-trade agreements which conserve hard currency.

In an attempt by the EGYPTIAN government to shift corn import activity to the private sector, the subsidized price at which the government resells imported corn was doubled to about \$63 per ton. Due to the pent-up demand for imported corn, which is still almost four times less expensive than domestic corn, this price increase is expected to stimulate private sector imports and, thus free the government from its position as the sole importer of corn. Any increase in Egypt's corn imports, which have averaged about 1.5 million tons annually over the past several years, could mean greater U.S. corn sales.

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According to trade sources, BRAZIL may have purchased as much as 700,000 tons of milled rice and 350,000 tons of rough rice from various origins for July-September shipment. Purchases from the United States are reportedly as much as 200,000 tons each of milled and rough rice. The large quantity purchased on the world market has strengthened world prices, causing the weekly world price announced by USDA to rise by 6 cents per hundredweight for long grain rough rice. Brazilian imports are apparently due to domestic economic policies, not crop shortages. Brazil is an occasional buyer of rice, importing 400,000 tons of rice in 1985 and almost none in 1984. The United States has not sold a significant quantity of rice to Brazil since 1980.

OILSEEDS AND PRODUCTS

The FRENCH Technical Institute for Oilseeds (CETIOM) recently made public its preliminary research on the potential production of new oilseed crops in France, according to the U.S. agricultural counselor in Paris. Experiments were conducted over the past two years on castorseed, safflower, jojoba, evening primrose, changing lupins and cuphaea to assess both plant production and demand for the resulting oils. CETIOM emphasized that, presently, production on a commercial basis cannot be recommended. Further experimentation, resolution of technical problems and pricing agreements are needed before domestic production could be competitive with imported supplies. Although the area for potential production of these oilseeds is relatively small, diversity of production is topical at a time when expansion of traditional crops is being limited by European Community (EC) budgetary constraints. In an effort to facilitate the commercialization of castorseed and flaxseed production, France will attempt to change the current EC marketing regulations on these seeds.

On June 24, BRAZIL exempted several agricultural products, including soybean oil and soybean meal, from the Import Tax on Financial Operations. This tax, for the purchase of foreign exchange for imports of goods, was previously set at 25 percent. The removal of this tax may lead to increased imports of soybean meal and oil. Brazil has never imported soybean meal, but did import 107,000 tons of soybean oil in 1985/86.

Copra meal imports by WEST GERMANY from January to April were more than twice as high as last year. The U.S. agricultural counselor in Bonn estimates that 1986 copra meal imports will reach at least 600,000 tons. An increase in copra meal consumption is expected to be at the expense of U.S. corn gluten feed and corn germ meal.

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COTTON AND FIBERS

Current signs point to sharply higher U.S. cotton exports in 1986/87. Noncompetitive pricing has held cumulative August-May 1985/86 exports to 1.9 million bales, a fraction of the 5.6 million for the same period in 1984/85. May exports totaled 81,000 bales. Price quotations for 1986/87 season delivery, however, are competitive in world markets. Forward 1986/87 season export sales are considerably above the depressed levels of a year ago and even exceed the comparable 1984/85 level. Total 1986/87 U.S. exports are forecast at 6.0 million bales, triple the estimated 1985/86 level of 2.0 million bales. Leading cotton export markets are South Korea, Japan and the EC.

WOOD AND WOOD PRODUCTS

INDONESIA'S 1986 harvest of tropical hardwood logs is expected to total 26 million cubic meters, 13 percent above the 1985 volume, but below the peak levels felled during the late 1970's. Lumber and plywood are forecast to reach record production levels of 7 million cubic meters and 5 million cubic meters, respectively. Although log production has risen steadily since 1983, mills are operating well under capacity. Indonesian government planners report that growth has been constrained by the slowdown in the sawn timber and plywood industries. This slowdown is a reflection of stagnant demand for wood products in both foreign and domestic markets, and high input costs versus low end-product prices.

Indonesian policy restricts log exports and encourages exports of processed products. While Indonesia is clearly the world's largest exporter of tropical hardwood plywood, efforts continue to expand the product mix, emphasizing growth in such products as siding and molding, hardboard, fiberboard and particleboard. Shipments of plywood have increased significantly to China and Hong Kong, making these markets second only to the United States. Japan increased purchases in 1985 and now accounts for about eight percent of Indonesia's plywood exports.

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The outlook for 1986 calls for modest increases in both production and exports, but at slower rates than earlier projected.

Indonesia's production and trade of wood and products are as follows in 1,000 cubic meters:

	1984	1985	1986 <u>1/</u>
TROPICAL HARDWOOD LOGS			
Production	22,250	23,000	26,000
Imports	0	0	0
Exports	1,732	0	0
Domestic consumption	20,518	23,000	26,000
TROPICAL HARDWOOD LUMBER			
Production	6,750	6,469	7,000
Imports	0	0	0
Exports	1,296	1,649	2,000
Domestic consumption	5,454	4,820	5,000
TROPICAL HARDWOOD PLYWOOD			
Production	3,710	4,236	5,000
Imports	0	0	0
Exports	3,021	3,760	4,000
Domestic consumption	689	476	1,000

1/ Forecast

EXPORT ENHANCEMENT INITIATIVES

The status of USDA's Export Enhancement Program as of July 8, 1986, was as follows in metric tons:

ANNOUNCED INITIATIVES	DATE ANNOUNCED	QUANTITY/RESULTS
37. India Vegetable Oil	July 8, '86	25,000
36. Jordan Barley	June 17, '86	60,000
35. Israel Barley	June 17, '86	200,000
34. Tunisia Dairy Cattle	May 29, '86	4,000 head
33. Algeria Dairy Cattle	May 29, '86	5,000 head
32. Sri Lanka Wheat	May 16, '86	125,000 Sold 50,000
31. Saudia Arabia Barley	May 7, '86	500,000 Sold 160,000
30. Algeria Barley	Apr 17, '86	500,000
29. Morocco Dairy Cattle	Apr 16, '86	4,000 head
28. Turkey Dairy Cattle	Apr 16, '86	5,000 head
27. Egypt Dairy Cattle	Apr 16, '86	6,000 head
26. Yemen Poultry Feed	Apr 14, '86	150,000
25. Yugoslavia Wheat	Apr 10, '86	200,000 COMPLETE
	June 24, '86	200,000 Sold 90,000
24. Indonesia Dairy Cattle	Apr 9, '86	7,500 head
23. Syria Wheat	Apr 8, '86	700,000
22. Benin Wheat	Apr 7, '86	45,000 Sold 10,000
21. Algeria Table Eggs	Apr 4, '86	500 million
20. Iraq Dairy Cattle	Apr 4, '86	6,500 head
19. Jordan Wheat	Mar 19, '86	75,000 COMPLETE
	June 24, '86	75,000
18. Tunisia Wheat	Mar 18, '86	300,000 Sold 50,000
17. Algeria Wheat Flour	Feb 25, '86	100,000
16. Algeria Semolina	Feb 11, '86	250,000
15. Philippines Wheat	Jan 7, '86	150,000 COMPLETE (152,400)
14. Zaire Wheat	Dec 27, '85	40,000 Sold 35,000
	May 15, '86	40,000
13. Nigeria Barley Malt	Dec 10, '85	100,000 Sold 4,400
12. Iraq Wheat Flour	Dec 9, '85	150,000 Sold 75,000
11. Egypt Poultry	Nov 26, '85	8,000 COMPLETE
	Mar 21, '86	15,000 COMPLETE
	June 18, '86	5,000 COMPLETE
	July 8, '86	15,000
10. Zaire Wheat Flour	Nov 18, '85	64,000 Sold 45,000
	May 15, '86	30,000
9. Philippine Wheat Flour	Nov 15, '85	100,000 Sold 50,000
8. Jordan Rice	Nov 8, '85	40,000 Sold 22,700
7. Turkey Wheat	Oct 16, '85	500,000 COMPLETE (506,600)
	May 8, '86	500,000
6. Morocco Wheat	Sept 30, '85	1,500,000 Sold 890,000
5. Yemen Wheat	Sept 6, '85	100,000 Sold 50,000
4. Yemen Wheat Flour	Aug 20, '85	50,000 Sold 31,500
	Apr 14, '86	100,000

3. Egypt Wheat	Jul 26, '85	500,000	COMPLETE
	Oct 30, '85	500,000	COMPLETE (512,500)
	June 20, '86	500,000	
	June 20, '85	500,000	
2. Egypt Wheat Flour	Jul 2, '85	600,000	COMPLETE
1. Algeria Wheat	Jun 4, '85	1,000,000	COMPLETE
	Apr 10, '86	1,000,000	

EXPORT ENHANCEMENT PROGRAM SUMMARY

Announced to Date	11,611,780 (grain equivalent) tons
	500 million table eggs
	43,000 tons frozen poultry
	38,000 head dairy cattle
	25,000 tons vegetable oil
Sold to Date	4,121,500 wheat
	1,098,055 flour, grain equivalent
	160,000 barley
	28,000 frozen poultry
	22,700 rice
	5,980 barley malt, grain equivalent
Bonus	\$264.3 million at book value (1,842,100 tons)

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Selected International Prices

Item	July 8, 1986	Change from a week ago	A year ago
ROTTERDAM PRICES 1/	\$ per MT	\$ per bu.	\$ per MT
Wheat:			
Canadian No. 1 CWRS-13.5%.	N.Q.	--	N.Q.
U.S. No. 2 DNS/NS: 14%....	128.50	3.70	-4.50
U.S. No. 2 S.R.W.	115.50	3.06	-1.00
U.S. No. 3 H.A.D.....	138.00	3.66	-3.00
Canadian No. 1 A: Durum...	N.Q.	--	--
Feed grains:			
U.S. No. 3 Yellow Corn....	98.00	2.49	-8.00
Soybeans and meal:			
U.S. No. 2 Yellow.....	203.40	5.39	-0.10
Brazil 47/48% Soya Pellets	184.50	--	-3.00
U.S. 44% Soybean Meal....	178.00	--	--
U.S. FARM PRICES 3/			
Wheat.....	86.34	2.35	-4.04
Barley.....	56.03	1.22	-0-
Corn.....	76.77	1.95	-9.06
Sorghum.....	73.41	3.33 2/	-7.28
Broilers.....	1555.35	--	+56.44
EC IMPORT LEVIES			
Wheat 5/.....	158.00	4.18	+4.40
Barley.....	157.50	3.43	+1.55
Corn.....	154.60	3.93	+7.60
Sorghum.....	166.50	4.23	+4.10
Broilers 4/ 6/ 8/.....	349.00	--	+1.00
EC INTERVENTION PRICES 7/ 9/			
Common wheat(feed quality)	200.10	5.30	+0.75
Bread wheat (min. quality)	212.50	5.63	+0.80
Barley and all other feed grains.....	200.10	--	+0.75
Broilers 4/ 6/.....	1,422.00	--	+2.00
EC EXPORT RESTITUTIONS (subsidies)			
Wheat	N.A.	--	--
Barley.....	N.A.	--	--
Broilers 4/ 6/ 8/.....	257.00	--	+1.00

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Changes may be due partly to exchange rate fluctuations and/or ECU payments. N.A.=None authorized. N.Q.=Not quoted. Note: Basis July delivery.